

THE WESTERN AUSTRALIAN GOVERNMENT'S SUBMISSION TO THE SENATE SELECT COMMITTEE ON HOUSING AFFORDABILITY – APRIL 2008

Housing Affordability in Western Australia

The Western Australian Government takes seriously the challenges raised by declining levels of housing affordability and has responded by reducing taxes, increasing funding for social housing, providing increased assistance for those renting and taking action to speed up land approvals.

It is becoming clear that there are two underlying issues in WA contributing to these declining levels of affordability. Firstly, housing prices overshoot in the period up to the first half of 2006/07¹ and characteristically of the property market are slow to correct. Secondly, there is an Australia-wide problem in housing supply. This supply problem is caused by a long list of factors including capacity constraints, reduced investment returns, development approval delays, changed consumer preferences, reduced public housing capacity and prevailing taxation settings.

It is clear that in Perth the problems are not one of land supply.

Metropolitan WA

Perth is currently experiencing a number of significant housing challenges, in particular:

- A median house price of \$465,000,² which since 2001³ represents a 177% increase in median house price; and a near doubling of the ratio of median house price to median household income from 3.37 to 6.32. The Perth median house price is now only marginally behind that in Melbourne and Sydney.
- A median rent which has increased 23.1% in the last 12 months to \$320/week with vacancy rates dropping to 1.6%⁴. It is expected that the vacancy rate will fall below 1% for the March 2008 quarter, a factor which is likely to create further strong upward pressures on rental prices. These increases have resulted in the median rent for an average 3 bedroom house in Perth now being higher than in Sydney or Melbourne.⁵
- Continuing sharp growth in the public housing waiting list. The waiting list for public housing increased by 1903 applicants to 15,683 in the 9 months to the end of October 2007. This is likely to have been driven by (and continue to be driven by) the rapid increases in rents in both Perth and major regional centres.

These challenges are showing little or no chance of improving in the near term:

- Increases in house prices have slowed over the last 12 months with median house price growing by only 1.1%⁶. Nevertheless high property prices mean it still remains difficult for first home buyers to enter the market and with recent interest rates rises first home buyers are contributing record levels of income to service mortgages, with housing affordability in Perth at its lowest level in 22 years.⁷

¹ See Banks, G, 'Explaining the housing market puzzle', Speaking notes of a presentation to a session at the Centre for Independent Studies *Consilium*, Coolumb, Queensland, 12 August 2006, Productivity Commission, p3.

² Based on December Quarter 2007 "Home Loan Affordability Report" published by Real Estate Institute of Australia (REIA)

³ Based on REIA and Real Estate Institute of Western Australia (REIWA) figures for September Quarter 2001

⁴ REIWA December Quarter 2007.

⁵ REIA December Quarter 2007.

⁶ REIA December Quarter 2007.

⁷ Real Estate Institute of Australia (REIA)

- Stagnating price growth combined with interest rate rises means an unfavourable market for investment in rental housing, especially at the cheaper end of the market where price falls are occurring in some locations. It is likely this will limit growth in the supply of rental properties and result in further competition and rent escalation in the sector, particularly at the lower end of the market where negative gearing fails to attract investors over higher value residential real estate.
- The cost of acquiring established homes or developing new homes for social housing has increased at a rate well above CPI and yet Commonwealth funding for social housing in real terms has declined sharply in the last 11 years. This has led to a loss of almost \$3 billion in funding over that period.

Regional WA

The most extreme housing affordability issues in WA exist in its major regional centres, with many of these centres, including Mandurah, Bunbury and Geraldton, experiencing rapid price growth with price growth close to or exceeding 20% in the last 12 months alone. Price growth in towns close to major mining activity, for example Karratha, Port Hedland and Ravensthorpe, has been even more pronounced.

The growth in housing prices in these rapidly growing regional areas is being reflected in rental price growth, which again has been most acute in towns close to mining activity. At the same time as price and rent growth, local regional populations (with the exception of mining workers) are predominantly experiencing only moderate income growth creating housing stress even among people earning moderate to high incomes.

The effect of the sharp rises in the rental market in these mining towns has been particularly acute for those people in low income jobs who do not have access to employer provided accommodation or accommodation subsidies. Many of these people work in jobs that provide essential services to the community such as cleaners, social workers and employees of non-government organisations. Anecdotal evidence suggests increasing numbers of these low paid essential workers are leaving these towns and a situation which has the potential to result in severe adverse social impacts in these communities. Further, in towns like Broome where the local tourism industry draws heavily on backpackers as a source of low cost labour, the lack of affordable accommodation is likely to reduce the availability of these workers, adversely impacting local businesses and the wider local economy.

One of constraint in many of the northern regional towns is delay caused in securing native title agreements which provides clarity for, among other things, the development of residential land. This was compounded by the Court Government's attitude to native title and significantly set back efforts to plan for development.

However, the State Government is negotiating several native title agreements covering a number of major regional towns and their surrounds and considerable progress with the more conciliatory approach of the current State Government. As a result of these negotiations land has been released for development in many of the major regional towns and final agreement has been reached for the area surrounding Kununurra (Ord Final Agreement), permanently resolving land access issues for the town.

Homelessness

While homelessness is not a direct focus of the Inquiry, the State believes it is a critical housing issue and in this context makes the following comments:

- The economic boom and accompanying population growth in Western Australia have led to considerable increases in housing costs as housing supply has been unable to keep pace with the demand. Increased homelessness has been one of the flow on effects of this situation, with low income people being pushed out of or unable to access housing through the private rental market following rapid increases in rents; and being forced to join a lengthening waiting list for public housing.
- There has been no real increase in Commonwealth funding for the Supported Accommodation Assistance Program (SAAP) or public housing in over a decade. This has contributed to long waiting lists for public housing, delaying exits from SAAP housing which in turn has created a bottleneck for people needing to access SAAP housing.

Key drivers of declining affordability in WA

There are a number of Australia-wide factors that have contributed to declining affordability, these include:

- Low interest rates: interest rates have been at historically low levels for a long period of time, with the major bank's standard mortgage rate averaging 7.5% in the 5 years to 2007. This, along with relaxed lending standards, increased peoples' capacity to borrow, stimulating demand and led to increased prices. Now in a climate of rising interest rates, in conjunction with high prices, people are increasingly unable to service the level of debt required to purchase a home.
- Increasing house size. The average size of new homes has increased substantially over the last 20 years with consequent impacts on housing construction costs. For example, in Perth between 1994-95 and 2003/04 the average size of new separate houses grew by 17% from 215 to 250 square metres.⁸
- Increased cost of construction. Economic circumstances are clearing placing upward pressure on prices in the building and construction sector. For example labour, equipment and material shortages have significantly increased the cost of civil works.

However, the decline in housing affordability in WA has been further compounded by a number of factors that are unique to the State and are impeding the capacity of the economy to supply housing commensurate with the growth in demand, these include:

- Strong population growth: WA's population has grown at average of 1.5% over the last 5 years,⁹ accelerating in more recent years with net population growth of 2.4% (50 000 people) over the last 12 months.
- High levels of economic and wage growth supported by a booming resource sector.
- Shortage of civil contractors and skilled tradesmen. The high level of mining activity and its continuing rapid expansion in WA has resulted in high levels of competition for civil contractors and skilled tradesmen in WA, which is being reflected in building delays and higher development and building costs. Demand in the new dwelling market has exceeded the capacity of the building industry to meet supply since the December quarter 2001. This new home building sector has been constrained by an

⁸ Australian Bureau of Statistics, Australian Social; Trends, 4102.0, 2007.

⁹ Department of Treasury and Finance, March 2007.1

acute shortage of labour and materials. Although new housing starts have levelled off, they are forecast to exceed 22,000 for each of the next three years.¹⁰

- Reduced levels of low cost developable land. Developable land increasingly requires considerable engineering to overcome difficulties imposed by a variety of factors including poor natural drainage, environmental constraints, clay soils and acid sulphate soils.
- High levels of property speculation. In WA the value of established housing finance commitments by investors increased by 4.5 times between 2000/01 and 2005/06 compared with 2.1 fold increased nationally during the same period. However, since the end of 2006, much of this money has been withdrawn from Perth and moved to other parts of the country where price growth is stronger.
- Strong growth in trade-up buying. Faster than average build up in equity in recent years may have contributed to higher levels of trade-up activity.
- Shortage of planning expertise in the government sector. Due to the higher demand from and higher salaries being offered by the private sector the State and local governments are having increasing difficulty attracting and retaining planners, especially the most capable and experienced. This has created a marked shortage of planning capacity in the government sector in WA which has been and continues to be a major barrier to the timely planning approvals by the State and local governments. This was a factor in the land supply bottleneck which occurred during 2006.

There has been considerable comment from some elements of the development lobby and various commentators claiming that the housing affordability problems in Perth and Peel are largely the result of a critical shortage of residential lots and that this is the result of delays in government approval processes. This is an overly simplistic reading of what in reality is a much more complicated situation. As noted above there have been a number of factors unique to Western Australia that have contributed to the shortfalls in supply, few of which could have been realistically anticipated, not least of all the rapid population growth and severe capacity constraints in the construction industry.

It should be noted that the number of vacant residential lots in Perth and Peel has actually increased from 30,500 in 2004 to 38,600 in 2007; however, housing starts have fallen 9.3% over the last 12 months and are projected by the Housing Industry Association to fall a further 11% over the next year. As a result it is emphasised that solely addressing land supply will not improve housing affordability unless the capacity of the housing construction industry is also addressed.

Western Australian Government action to address housing affordability

The Western Australian housing market has experienced unprecedented price growth in recent years. While this growth has become a boon for existing homeowners and investors, it has also contributed to falling affordability for first homebuyers and those seeking to rent from private landlords.

The State Government has responded with a series of major funding announcements throughout 2007. These have underpinned its multi-faceted strategy to address housing affordability in Western Australia.

¹⁰ HIA Economics Group

In relation to first home buyers:

- *Stamp Duty Relief*. The first home buyer stamp duty exemption has been doubled from \$250,000 to \$500,000 (phasing out at \$600,000) for home purchase and from \$150,000 to \$300,000 (phasing out at \$400,000) for vacant land purchases. This has resulted in a stamp duty saving of \$20,700 for first home buyers purchasing a \$500,000 home. From 1 July 2007 to 29 February 2008 the increase in the stamp duty exemption thresholds for first home buyers saved them an additional \$79 million.
- *First Start shared equity program*. The Government has committed \$300 million over 3 years for providing shared equity assistance of up to 40% of the value of a home to families, couples and singles on incomes of up to \$70,000. The maximum purchase price under the program is \$365,000.

Other initiatives to improve housing affordability and access to housing:

- *\$417 million Housing Affordability Package*. This funding will be comprised of:
 - \$376 million for increasing the supply of social housing with a focus on the provision of seniors and lodging housing accommodation. \$210 million of this amount will be focused on social housing delivered through an expanded community housing (not for profit) sector.
 - \$35.3 million to improve housing quality in Aboriginal town-based communities.
 - \$5.7 million to expand the Bond Assistance Scheme to assist a broader range of low income earners to access the private rental market.
- *\$238 million Additional Housing Affordability Package*. This will fund a number of initiatives including:
 - \$50 million to increase the supply of social housing;
 - 300 new lodging house and crisis accommodation rooms;
 - An additional \$24 million for Mental Health housing; and
 - A total of \$79 million to support and expand the delivery of Government Regional Officers Accommodation.
- *\$60 million for Strategic Land Banking*. Funding for land acquisitions with the potential for up to 1850 future residential lots (this is part of the \$238 million referred to above).
- *\$21.1 million to develop the Electronic Land Development Process (eLDP)* to allow tracking of government approvals processes and ensure that agencies meet timelines for subdivision approvals.
- *\$9 million to recruit and retain experienced planning staff* to help accelerate approvals processes.
- *\$3 million to assist local government* to contract planning expertise conditional on local government committing to deliver approvals for more lots in less time with higher densities (in appropriate circumstances).
- *Establishing a Ministerial Council for land and housing supply* to prioritise land and housing development and ensure a coordinated approach across government.
- *Appointing an Urban Land Development Coordinator* to expedite and streamline approvals for large subdivisions.

Additionally, the State is also undertaking a holistic and broad-reaching review of land and housing markets in WA (*Economic Review of Land and Housing Markets in Western Australia (Review)*). The *Review's* six terms of reference are to:

1. Assess the impact of relevant legislation, regulations, ordinances, guidelines and bylaws on the supply of new housing and land (eg its rate, quantity and cost),

assessing whether the regulations are in the public interest when account is taken of the costs and benefits of regulations.

2. Consider the role, interaction and planning of the agencies of the Western Australian Government and local governments in the supply and development of land and construction of houses (both owner occupied and for rent) in Western Australia. This is to include consideration of the role of Public Private Partnerships (such as Joint Ventures) in the provision of public rental housing and residential land for sale.
3. Examine the adequacy of data management within the Government sector.
4. Examine whether there are market failures in the private market for residential land, land development and housing (including rental housing).
5. Evaluate how co-ordination, consistency and articulation of the Government's housing policy objectives between agencies could be improved. This is to include strategic policy goals, which are in the public interest, for housing and land supply.
6. Examine the causes, extent and impact of capacity constraints and other bottlenecks being experienced in the relevant agencies of the Western Australian Government, local governments and in the private construction sector. This is to include shortages of materials and skilled labour posing major impediments to constructing new housing in a timely fashion.

The *Review* will make recommendations for improvement and is expected to be completed by mid-2008.

For more detailed information on many of the initiatives aimed at tackling declining housing affordability in Western Australia please refer to the Attachment.

Response to the Select Committee's Terms of Reference

Taxes and levies imposed by State and Territory governments

The proportion of costs for housing development represented by government taxes and charges in Western Australia are among the lowest in Australia. Notwithstanding the relatively low level of developer costs in Western Australia, substantial effort has been targeted towards reducing business costs and targeted concessions to improve housing affordability.

The State Government has recently completed a comprehensive review of State taxes and levies. The State Tax Review recommended a broad range of measure to improve State taxes including a major reform of the State legislation governing stamp duty. The Duties Bill 2007 currently being finalised for presentation to State Parliament is expected to result in a 5% average reduction of stamp duties on conveyances across the board and will substantially reduce compliance costs for business. The State Tax Review also resulted in a substantial decrease in stamp duty for first home buyers in the 2006/2007 budget; resulting in an exemption threshold of \$500,000 well above the median Perth house price. (see http://www.dtf.wa.gov.au/cms/uploadedFiles/state_tax_review_final_report_may2007.pdf)

In relation to levies the Productivity Commission's 2004 report on first home ownership is instructive. It found that:

Infrastructure charges, like other costs of bringing housing to the market, have increased over time. But they cannot explain the surge in house prices since the mid-

*1990's. Indeed, the share of total house prices accounted for by infrastructure costs appears to have been declining in most Australian cities [including Perth].*¹¹

Evidence suggests that developer levies are low and minimal in Western Australia.

Rate of release of new land by State and Territory governments

Subdivision and the land zoning process in Western Australia are administered by the Western Australian Planning Commission (WAPC). Western Australia has the most centralised subdivision approvals process compared to other Australian states: in other states, subdivision is a local government responsibility. The statutory basis for broadacre subdivision is established primarily by the *Planning and Development Act 2005*. The desirability of a centralised system was reviewed by the WA Parliament's Legislative Assembly Public Accounts Committee and its 2004 report recommended that planning and subdivision should remain centralised.

The role of state and local government in facilitating the release of land in Western Australia has been subject to substantial review over recent years. Most recently, State Cabinet appointed a Land Release Coordinator (LRC) in 2006 to facilitate the release of residential land in the Perth and Peel regions, report on impediments to release, and make recommendations for improvement. (Copy attached.)

In summary, the LRC found that there were four main reasons there was a shortage of residential land in Perth through 2006:

- Demand was very high and supply was not able to respond quickly enough. Over the 12 months to 30 June 2006, WA's population increased by 39,900 people, a two per cent population growth rate and the nation's highest. Demand pressures were exacerbated by market speculation; estimated at around 33% of the market at the peak.
- Construction capacity constraints. Competition for skilled labour from Western Australia's booming resources sector has been a substantial factor in increasing subdivision and housing construction delays and costs. The labour shortage is reflected by completion times for new housing of up to 18 months in 2006; backlogs of houses under construction state-wide (over 21,000 houses in the September quarter of 2007).
- Increasingly constrained land reflected by the significant number of lots given **conditional** subdivision approval by the WAPC that do not proceed to construction and title. A significant factor preventing development of some approved housing lots is the increasingly marginal land to which the approvals are subject (eg drainage issues, acid sulfate soils etc).
- Approvals processes. The Government has acknowledged that there need to be improvements made in approvals processes. The LRC identified that the main improvements needed are for adherence to timelines, clarity of requirements, and consistency of requirements throughout the development process. It should be noted that requirements under the Federal *Environment Protection and Biodiversity Conservation Act* have been causing delays in land release in Western Australia. Further work with the Commonwealth to resolve regulatory delays through the COAG Business Regulation Working Group is supported.

The Metropolitan Region Scheme¹² (MRS) is currently estimated to provide for 15,000 hectares of zoned land for residential development, representing some 16 years supply, based

¹¹ First Home Ownership, Productivity Commission Inquiry Report No. 28, 31 March 2004. P176

¹² Statutory region scheme provides the basis for strategic land-use and infrastructure planning in the Perth Metropolitan Region.

on 2006 consumption rates of 800 to 900 hectares per annum. This excludes the land in existing residential subdivision approvals.

Regional areas, excluding Bunbury, are not subject to statutory regional planning schemes and are subject to different constraints to those in urbanised areas. Landcorp is the state government agency responsible for the majority of development in these regions and the majority of land is state controlled Crown land. Landcorp has a targeted program aimed at expediting land release in areas affected by the booming resources sector, principally in the Pilbara and Kimberley regions. The 'Regional Hotspots' program combines strategies for resolving strategic and statutory planning processes, native title, heritage and environmental issues that typically delay the release of land.

The focus of land release has traditionally been on broadacre residential subdivision, predominantly on the urban fringe. However, new lots and housing also need to be developed on infill subdivisions in existing urban areas and through the redevelopment of 'brownfields' sites to accommodate housing types other than single detached dwellings, and to meet residential demand from those who do not wish to live on the urban fringe. The current Perth market, for example, is beginning to show signs of negative equity in some 'greenfields' suburbs, but demand in inner and metropolitan coastal areas remains strong. Further, it should be noted that travel times on the urban fringe to key destinations (such as work) now frequently exceeding the established critical threshold of 30 minutes,¹³ creating undesirably long travel times for residents. The expansion of residential land on the urban fringe also needs to be carefully considered and planned to avoid exposing residents to situations of extreme locational disadvantage.¹⁴

Government assistance for First Home Buyers

The main forms of assistance the WA government provides to first home buyers are:

- *Stamp Duty Relief.* As outlined earlier in the submission.
- *Key Start.* Keystart is mortgage provider owned by the Western Australian Government that provides low deposit home loans to assist people in home ownership. (see <http://www.keystart.com.au/key/home.htm>)
- *First Start shared equity program.* As outlined earlier in the submission.(see <http://www.keystart.com.au/key/SharedEqBrochure.pdf>)

The Commonwealth existing main form of assistance to first home buyers is the First Home Buyers Grant (FHOG). FHOG is supported, however, it is suggested that careful targeting of this assistance should be considered to minimise adverse price effects.¹⁵

Role of all levels of government in facilitating affordable home ownership

All levels of government in Australia have key roles to play in improving housing affordability. Unfortunately, in recent years the Commonwealth Government had distanced itself from the issue, however, it is noted that the new Commonwealth Government has announced several major initiatives to address housing affordability throughout Australia, including Home Saver Accounts, the National Rental Affordability Scheme and the Housing Affordability Fund, to complement the First Home Owner Grant.

¹³ See Newman P. & Kenworthy, J. R. 1999, *Sustainability and Cities: overcoming automobile dependence*, Island Press, Washington DC.

¹⁴ See Newman, P et al, 'Locational advantage and disadvantage in public housing, Rent Assistance and Housing Loan Assistance in Perth' December 2003, AHURI Final Report No.52

¹⁵ See Yates, J et al, 'Housing Affordability: a 21st century problem' National Research Venture 3: Housing affordability for lower income Australians' AHURI September 2007

Local Governments in Western Australia play a key in increasing permissible dwelling densities in existing residential areas and facilitating social and affordable housing through their town planning schemes and associated local policies. However, local governments are sensitive to community opposition to densification and the integration of social and affordable housing into their local areas, adopting a ‘not in my backyard’ (NIMBY) stance at the behest of local interest groups. Incentive and funding programs like the Commonwealth’s Housing Affordability Fund and the Western Australian Government’s Local Government Assistance Fund will be targeted to provide an incentive to local government to increase densities and make greater provision for affordable housing.

The action taken by the Western Australian Government to facilitate affordable home ownership is outlined above under the heading ‘Western Australian Government action to address housing affordability’, as well as in several other parts of the submission.

Effect on the market of government intervention in the housing sector including planning and industrial relations laws

Planning plays a key role in ensuring that new residential development is adequately serviced by essential infrastructure, and among other things, has access to employment, transport, schools, hospitals and public open space. Increasingly planning needs to take account of the concept of ‘affordable living’, where the total costs of living in a given location (beyond just the upfront cost) is considered during the approval process.

Western Australia has implemented a process of continuous improvement of planning regulation and associated business processes over recent years. Key achievements include:

- Joint government-industry Planning Processes Review Study (PPRS) that commenced in July 2003;
- Enactment of the Planning and Development Act, 2005 that consolidated four (4) existing acts into a single streamlined Act that removed the requirement for some types of development approval associated with the subdivision of land and providing for concurrent regional and local zoning approvals (April 2006);
- Development of consistent rules for local government developer contributions in collaboration with industry (Urban Development Industry Association) and local government (February 2008);
- Implementation of a short-track prototype for small urban in-fill residential subdivision that has reduced approval timeframes from 90 to 100 days to 30 days (2005);
- Commencement of the electronic Land Development Process on-line subdivision application and referral system incorporating the national electronic Development Assessment (eDA) communications protocol (July 2007); and
- Lead State for implementation of the national electronic Development Assessment (eDA) communications protocol (March 2008).

Role of financial institutions in home lending

No comment.

Contribution of home ownership to retirement incomes

Home ownership is critical plank in overall retirement income policy. It offers a number of economic benefits that assist in financially supporting people, along with compulsory and voluntary superannuation, and the pension where:

- home ownership is a form of forced savings and assists in the accumulation of wealth in two ways:
 - a. home owners reap the return associated with house price appreciated;¹⁶; and
 - b. As their mortgage is paid off, a household builds equity; equity being the difference between the value of the home and what is owed on it;¹⁷
- home owners usually enjoy diminishing housing costs over time as real housing costs generally fall due to mortgage payments remaining constant while income increases.¹⁸ “Rents on the other hand, usually rise at close to or above the general rate of inflation”;¹⁹
- home owners have better access to capital than renters due to the equity that accumulates in their home.²⁰ This allows them greater financial flexibility and the opportunity to access equity in their homes to pay for large expenses²¹ or fund their retirement; and
- home ownership facilitates individuals accumulating wealth it can reduce welfare dependency in later life.²²

¹⁶ Rohe, W., McCarthy, G. and Van Zandt, S. 2000, *The Economic Benefits and Costs of Homeownership: A Critical Assessment of the Research*, Research Institute for Housing America, Working Paper no. 01-02, May, 19; see also Badcock, B., & Beer, A., *Home Truths: Property ownership and housing wealth in Australia* (Carlton South: Melbourne University Press, (2000), chapt. 1. Both sources also acknowledge that the opposite can occur with depreciation leading to home owners incurring a loss.

¹⁷ Rohe, W., et al 2000, *ibid*, 19; see also Badcock, B., & Beer, A., *ibid*.

¹⁸ Rohe, W., et al 2000, *ibid*, 5. Note that there can be some exceptions to this due to rises in interest rates (see Badcock, B., & Beer, A., *ibid*, pp71-2) or property taxes (see Rohe, W., et al 2000, *ibid*, 13).

¹⁹ Rohe, W., et al 2000, *ibid*, 5. This is based on US figures and it is acknowledged that it may not be the case in Australia.

²⁰ Rohe, W., et al 2000, *ibid*, 18

²¹ Rohe, W., et al 2000, *ibid*, 18

²² Western Australian Government, *ibid*, April 2008

WESTERN AUSTRALIAN GOVERNMENT HOUSING PROGRAMS

The Department of Housing and Works is the agency primarily responsible for providing affordable housing which it addresses by providing:

1. social housing;
2. affordable housing finance;
3. affordable housing and land;
4. sustainable housing;
5. assistance for private renters; and
6. Indigenous housing.

1. Social Housing

The State Government has committed an additional \$654.7 million to affordable housing through the Department of Housing and Works over four years. This will not only ensure the continuation of WA's housing programs through effective delivery of public and community housing, but will also grow the total housing stock by 1124 dwellings.

The Department's capital works housing program for 2007-08 is more than \$900 million – a significant amount and one that will continue to see social housing and other government housing programs positively impact communities across the State.

The growing relationship between traditional public housing and the Community Housing sector is central to the future provision of low-cost housing in Western Australia. Community housing is housing provided through not-for-profit organisations, local government authorities and church groups. It has already become an effective mechanism in the provision of housing assistance to many low income Western Australians with special needs and is poised to have a significant impact on affordable housing provision throughout the State in the next five to ten years.

Traditionally, the WA sector has been comprised of a large number (250) of small to medium-size organisations supplying responsive affordable housing solutions to a diverse range of groups who are particularly vulnerable - the aged, people who are homeless and people with disabilities. The Department of Housing and Works has been working closely with the sector in the past two years to consolidate organisations and create a smaller number of key providers. This model will help build the capacity of the sector to take it forward into its next growth phase.

The State Government has recognised the sector's potential to bring new finance and housing into an expanded social housing system. This is primarily due to the sector's ability to attract rent assistance for its customers and tax concessions for new development. Over the next four years \$210 million will be invested to extend the role of community housing. This investment is conditional on effective regulation of the sector and also on the investment being used to assist in the management of the public housing waiting list. The Department is now developing guidelines on this common register in conjunction with key community housing providers, to enable an integrated approach to waiting list management.

In 2007/08, \$30 million is being invested in new housing and initiatives specifically to develop the sector's capacity including business improvement, resourcing and training initiatives and mentoring arrangements to enable community housing providers to build expertise as project managers and developers. A key part of this investment will include the establishment of a regulation and compliance unit within the Department of Housing and Works to assess and reduce risk, initiate business improvement strategies and monitor compliance to protect public and private investment.

2. Affordable Housing Finance

Keystart Home Loans

Keystart Home Loans was launched in 1989 specifically to provide home loans to low and moderate-income earners otherwise unable to secure funding in the private sector. It was a breakthrough product nationally and has been very successful over the years.

Since its launch Keystart has provided more than 64,000 low deposit loans and has injected more than \$6 billion into the housing industry over the past 19 years. The scheme provides home loans to meet individual needs and importantly provides a safety net for borrowers who experience a sudden change of circumstances and difficulty in repaying their loan. Shared equity loans are provided to key groups including public housing tenants, people with disabilities and Indigenous home owners.

In 2006/07, 3155 applications were approved under the scheme valued at \$381 million. Of the 1500 approvals for new homes, 68% were for first homebuyers.

To date in the 2007/8 financial year, Keystart has approved 2653 loans across its various programs with a total value of \$383 million.

Keystart will continue to offer low-deposit full home ownership and shared equity purchase schemes which are expected to result in over 3000 new loans in 2007-08.

First Start – shared-equity for first homebuyers

The Department has for some years offered shared-equity loans to discrete groups in need such as people with disabilities, public housing tenants and Indigenous home buyers. Recognising the changes in the property market and the increasing affordability challenges being faced by West Australian families, the State government has introduced a new shared equity product, known as First Start, which is designed to help families on low-moderate incomes enter home ownership.

First Start is a shared-equity scheme launched in February 2007 and will be delivered through Keystart Home Loans over three years. The total commitment includes \$300 million in equity and up to \$600 million in loans. This will ensure home ownership becomes a reality for 3000 Western Australian households during that time and also benefit the housing industry with about \$50 million expected to be approved for construction of new homes. Under the scheme, a borrower will share the cost of acquiring a home with the State Government through the Department of Housing and Works.

First Start targets the growing number of first homebuyers with incomes up to \$80,000 who are struggling to bridge the affordability gap – the difference between the income

required to comfortably buy a median priced house and the actual median income. To target those who need the assistance the most - families on incomes below \$80,000 - the Department will purchase equity in the property up to 40%. For singles earning up to \$50,000 and for couples earning up to \$70,000, the Department's equity would be limited to 30%.

The maximum property price allowable under the scheme is \$375,000, giving people the choice of a number of suburbs from which to purchase a house.

The careful targeting of this program ensures that it is provided to those families that are most in need of housing assistance. This targeting also ensures that the scheme doesn't add "fuel to the fire" by increasing the purchasing capacity of the market as a whole, which would be likely to place more upward pressure on housing prices.

Since its launch in February last year, 607 loans have been approved, with a further 426 currently in the pre-approval stage (as at 23 February 2008).

3. Affordable Housing and Land

Joint Ventures

The Department of Housing and Works' Joint Venture Program is a successful model for quality, affordable product delivery. The Housing Authority (formerly the State Housing Commission) has acted as a land developer in its own right since its formation and this function was included in the Housing Act (1980) under which the Department still operates.

Joint ventures have been operating since 1988 but the current model has evolved out of the Ellenbrook joint venture, which was formed in 1991 to develop the Department's 563 hectare holding north of Perth.

Ellenbrook is a model for community creation by the early introduction of social infrastructure and the integration of private and public housing. It has grown into one of the most successful urban developments in Australia.

In the past 10 years joint ventures have been undertaken in Dalyellup, Geraldton, Palm Beach, Beeliar, Clarkson, Butler, Albany (Woodrise) and Wellard.

More recently Stockland Property Group joined with the Department to develop 2,600 lots at Brookdale and a joint venture agreement is currently being negotiated to formalize this partnership. Heath Development Company became the Department's joint venture partner at Bayonet Head in Albany, which commenced development in late 2006.

Potential future joint ventures include the development of the Department's 4,000 hectare landholding at Keralup (formerly Amarillo), in Perth's southern corridor. Preliminary analysis suggests that the site has the potential to produce between 25,000 and 35,000 lots and be home to between 60,000 and 90,000 people. However, the final development of the site will be subject to an ongoing planning and approvals process. The initial phase of this process involves detailed environmental, transport and employment investigations, which will commence in 2008.

The joint venture model has benefited the Department in a number of ways.

It ensures the continuous long-term supply of land and encourages home ownership through the provision of affordable lots.

It provides the Department with access to the best in private sector planning and marketing expertise and that results in the development of sustainable communities that offer a good standard of housing and community amenity.

Social housing is totally integrated into the community, to ensure that low-income households are provided with accommodation and each development maintains a healthy level of social diversity.

Innovation in Affordable Housing Program

In October 2006, the Department sought Expressions of Interest from building companies to participate a project to construct affordable housing using innovative building materials. Three companies were selected to take part in the project – Qik Bild Eco Construction, Intamos and VDM Group.

The three successful companies will build houses using materials and construction methods that have the potential to reduce the costs of both building and maintaining a home. The selected designs will use innovative construction techniques, including wall systems consisting of hollow styrofoam blocks filled with reinforced concrete, and roofing made from an insulated polystyrene/colourbond sandwich panel.

Construction times for these dwellings range from 14 to 20 weeks, which is a significant reduction from the time it usually takes to build a single-storey brick and tile home. The new building designs and construction materials have the potential to reduce ongoing costs, through lower maintenance and management costs and improved energy efficiency.

The first phase of the project is currently underway and will focus on the metropolitan area. It includes three display homes (one from each builder), which are currently under construction at Banksia Grove. After the display period, the homes at Banksia Grove will be sold to private purchasers. The remaining 22 homes in Phase 1 will be built at Clarkson, Ellenbrook and Butler and will all be used to increase the stock of public housing.

Design work has commenced for Phase 2 of the project, which will see 25 homes constructed in regional towns including Halls Creek, South Hedland and Kalgoorlie. All of these homes will be used for public housing.

Infrastructure and Housing: Perth Rail Network and Transit-Oriented Development (TOD)

The State has recently made a major investment in infrastructure by expanding the Perth rail network. It has added 76km of rail track and 12 new railway stations in the last 5 years.

The centrepiece of this \$1.66 billion expansion is the new Southern Line, which links Perth with the southern centres of Mandurah, Kwinana and Rockingham and was opened in December 2007. Nine new train stations have been built along the

Southern Line, presenting significant opportunities for higher density, TOD-style developments in a major growth corridor. A number of these developments will be carried out by government land development agencies, presenting the State with opportunities to ensure the inclusion of affordable housing. Affordable housing in TOD developments has the potential to cater for a number of tenures, including social housing, affordable private rental and affordable home ownership.

The Northern Rail Line has also been expanded, which has helped in the provision of affordable housing. The line was extended by 4km from Currambine to the new Clarkson station, which was opened in 2004 and is currently the northern-most station on the rail network. The Department of Housing and Works held land adjacent to what is now the Clarkson railway station and has developed a TOD-style development, called Somerly, in joint venture with the private sector on the site. This development has been highly successful in providing both social housing and affordable home ownership opportunities.

The Northern Rail line is scheduled to expand further north from Clarkson and will eventually run through the suburb of Butler and service the planned major regional centre of Alkimos, 40km north of the Perth CBD. This will present further opportunities for TOD-style development in Perth's north-west corridor, which is one of the fastest growing areas in the State.

Transit-oriented developments (TOD) offer an avenue to simultaneously address both housing and infrastructure needs in an affordable way. Although site costs can be more expensive than traditional development due to the intensity of development within the site, the overall cost and efficiency of infrastructure delivery for the region is significantly reduced, as roads, drainage and other major utilities do not have to be extended over large areas with low population densities.

The higher density of development in TODs means that there are more homes produced per hectare of land. This means that the land component of the house cost is often lower, helping to reduce the overall cost of a home.

TODs are centred around public transit and usually also include mixed-use development, including retail and commercial facilities. As households in TODs are often within walking distance of these amenities, they can save a large amount of the household budget that would normally be dedicated to transport costs, such as petrol or public transport. This makes the overall cost of living far more affordable and helps households remain more financially stable.

Department of Housing and Works' TODs

Wellard

Wellard is Perth's first purpose built green fields TOD and is a joint venture between the Department and Peet Ltd. The joint venture was formalised in September 2003 and the project is expected to span 11 years and produce approximately 2700 lots. The development is centred around the new Wellard train station, which is located on the Southern Line.

The Joint Venture has exceeded initial targets and to date has sold over 600 lots. Most of the subdivision and housing activity has occurred within a ten-minute walk (800m) of the Wellard Station, in line with TOD principles.

Clarkson (Somery)

Clarkson is a green fields TOD in Perth's northern suburbs, which was developed as a joint venture between the Department and Urban Pacific Limited. The partnership was formalised in 2002 and the first lots were released for sale in November of the same year. The development is adjacent to the Clarkson train station, which formed part of the Northern Line expansion and was opened in October 2004.

Physical development is now complete and has produced over 1700 lots, which will eventually house approximately 2200 dwellings. Demand for land within the development has been strong and are only a few lots remaining to be sold before the project will be complete. Clarkson was originally envisaged to extend over 10 years, however it was accelerated in response to heightened demand for moderately priced land.

Somery received the UDIWA award for Affordable Development in 2006.

The project has been planned as a neighbourhood village focused on the Clarkson rail station and features a range of lot product. The initial stages of the development typically provided conventional single residential lots, however soon became more diverse.

About 75% of the lot and dwelling product is now in the form of medium to high-density housing. This has been released over the past 18 months with around 30% being affordable for the private market. Around 90% of the product allocated for social housing is for medium density housing.

Bertram

Bertram (Belgravia Central) is a TOD estate being developed by the Department of Housing and Works in conjunction with Satterley Property Group, who is the project manager. Also located along the new Southern Rail Line, it is centred around the Kwinana train station and will include a village centre, complete with retail, commercial and community facilities. Bertram will eventually produce a total of 537 lots over 5 years.

Innovation in Affordable Housing

Dalyellup Beach Retirement Village

The Dalyellup Seniors Village Project is a pilot project for a joint investment approach between the Government and the retirement or lifestyle villages industry to provide more seniors accommodation in the Bunbury region. The State Government has purchased a 6.5 hectare site in Dalyellup, which will house 200 independent living units when the project is complete.

The Department of Housing and Works will use 80 of the units to house existing public housing tenants or customers on its waiting list. The remaining 120 units will be used for private seniors accommodation and residents will have a lifetime-lease on their home site. The chosen provider will contribute the bulk of the capital costs and manage the entire village.

The project aims are to:

1. Provide appropriate and attractive housing designs and types, that are affordable and cost effective, and meet residents needs;
2. Assist in meeting public and private housing demand for seniors accommodation in the region;
3. Ensure an ongoing proportion of units are available for allocation to seniors from the Department's wait list for rental housing; and
4. Ensure that residents housed from the public rental system are afforded housing and services of the same quality and standard as privately funded residents, such that there is no discernible differentiation between residents once they are housed.

Expressions of Interest were called for the project in May 2007. Shortlisted proponents were sent a Request for Proposal in December 2007 and final submissions are due by 28 April 2008.

Mixed use community housing - Northbridge

Increasingly the mix of housing types required for a diverse community will come together in innovative ways. A landmark development in Northbridge, for example, will soon provide a combination of 50 lodging house beds, 16 apartments and 9 commercial units. The site was used for the Building for Diversity design competition presented during the National Housing Conference held in Perth in 2005.

The competition, sponsored by the East Perth Redevelopment Authority, was won by Fremantle architect Kieran Wong and his plans provide the basis for the final design. The mixed-use development will be created in joint venture with the not-for-profit key provider, Foundation Housing, which will manage the site.

The availability of lodging house rooms has been in rapid decline in central Perth since the mid 1980's. Lodging Houses are an important housing option for homeless men, women, youth, homeless couples and people with mental illness. They are in high demand, affordable, and provide both transitional and long-term accommodation. The project is expected to be completed in late 2010.

Factory-Built Houses

The Department has also called for Expressions of Interest for the provision of up to 200 factory-built houses to be constructed, delivered and installed in regional and remote areas of WA. The homes can be constructed in Perth during the seasonal wet period in the North- West. The components of the new home will be transported as weather improves and roads re-open and then assembled on site.

These homes will be used to meet the housing needs of Government regional officers such as teachers and police, people in remote Aboriginal communities and to increase the amount of Government rental stock in areas such as Kununurra, Fitzroy Crossing, Tom Price, Newman, Derby, Halls Creek, Kalgoorlie-Boulder, Ravensthorpe and Esperance.

4. Sustainable Housing

5 Star Plus

The Department of Housing and Works is overseeing introduction of the new 5 Star Plus sustainable building standard. The standard follows the introduction in 2006 of 5 Star which requires a minimum number of features to achieve a required energy rating. The new 5 Star Plus standard will achieve improvements in water and energy efficiency in new homes and became mandatory for homes approved after September 2007.

Features of 5 Star Plus include minimum energy and water efficient fittings and fixtures. During 2008 the standards will require new homes be plumbed so they can be connected to an approved alternative water supply at a future date (such as water tanks, bore water or third pipes). Efficient water features in a home can save more than 100,000 litres per year or the equivalent of 2.5 backyard swimming pools. Ultimately the standard will become part of the Building Code of Australia which guides building standards across the State.

5. Greater Assistance for Private Renters

The recent inability of this sector to supply low-cost rental housing is a concern and is a reason for the State Government's commitment to a robust ongoing social housing construction program. Median private rents in Perth reached \$320 a week in December 2007²³ and a range of options that supplement the existing private rental market will need to be considered to ensure a supply of appropriate housing is provided to those in need in future.

Around half of WA private rental households rely on Commonwealth Rent Assistance to meet their housing costs²⁴. CRA has proved to be useful in curtailing many low-income households from experiencing housing stress. However its total effectiveness in alleviating housing stress is questionable.

The State Government has boosted its successful support programs such as the Bond Assistance Loan scheme providing an additional \$5.7 million in 2007-08 to assist eligible lower income earners into the private rental market. The funding boost has enabled bond loan limits to increase along with income eligibility limits which will result in more families and singles being assisted. Additionally, clients in hardship or at risk of becoming homeless can increase their bond loan to meet other ongoing fees.

6. Indigenous Housing

The Department of Housing and Works provides housing and infrastructure for Aboriginal communities in many remote areas of the State. Its community construction activities provide for the design, tender and construction of new housing and upgrade maintenance exclusively within discrete Aboriginal Communities, where no other housing assistance can be accessed. Communities provide major input into the design and siting of their housing, and training and employment opportunities are available for community members associated with the construction, repair and maintenance of buildings within their community.

²³ REIWA www.reiwa.com

²⁴ Housing Stress in the Private Rental Market Stewart Darby 2005

In Western Australia, 41% of the Indigenous population live in remote and very remote areas. The Department of Housing and Works manages the Remote Aboriginal Essential Services Program, where a contracted service provider manages water, power and waste water services for 91 communities that are not connected to mainstream utilities. These are communities where 50 or more people reside.

Smaller communities receive an emergency service when an essential service breaks down through the Department for Housing and Works, while routine repairs and maintenance are managed by the Commonwealth Department of Families, Housing Community Services and Indigenous Affairs through contracted local service providers.

Since July 2006 the State has allocated an additional \$74.3M to deliver additional and improved housing in Halls Creek, housing and infrastructure in town based communities and power, water and sewerage to larger remote communities.

Town Based Communities are places in or on the edge of towns where Aboriginal people have lived or camped. Some communities have relatively stable populations, whereas other communities provide a place for people visiting towns to stay. The dynamics within these places can vary overnight, depending on the number and type of visitors. The State is currently working through a process to ensure all these places are regularised in terms of their power, water and waste water services. Normalisation and integration into the town will be achieved over a period of time, however, the issues of visitors will need to be addressed.

Remote Indigenous housing is another area where the State is developing a new approach to overcome the years of neglect. It is based on sustainable communities, sustainable housing and sustainable tenancies. Currently the State is conducting an audit of stock. The audit will immediately fix unsafe electrical work and identify the work that needs to be undertaken. The information will be up loaded to an information system, allowing the Department to know for the first time, the true extent of overcrowding and work required.

Concurrently, the Department is rolling out improved housing and asset management and implementing standards that require property condition reports, tenancy agreements, rent setting to social housing standards, rent collection, emergency and planned maintenance, tenancy support and the development of verifiable waiting lists.

The audit and the improved housing management will allow the need for urgent major upgrade work and new construction to be identified.

The Department also works to ensure that Indigenous people in regional towns throughout Western Australia are provided with adequate housing to ensure that they can continue to function as healthy communities. An example of the Department's work in regional Western Australia is the Better Life Project in Halls Creek:

Halls Creek Better Life Project

The State Government has approved a total of \$45.9 million to improve housing and services in Halls Creek. The original Government intervention package announced in 2006 was for a total of 36 dwellings and this has now been increased to 56 dwellings.

Projects are being completed such as the hostel for children, refurbished housing and new housing is being constructed for residents and government workers.

The project is a cooperative initiative of the State Government, the Shire of Halls Creek and the Australian Government, and links key community groups and organisations with relevant State agencies in pursuit of agreed objectives such as improving education outcomes, training, home ownership and improved social order

Achievements to date have included:

- The hostel for 0-5 year old children was completed in September 2007 and the second stage for older children is on target for completion in March 2008.
- Attendance at the local high school has increased by 20%
- 4 local Indigenous people are undertaking apprenticeships and there is one trainee
- 12 houses have been refurbished.
- 4 public rental dwellings have been completed and another 7 are on the way
- 5 innovative concrete houses are in the design stage
- 7 new homes will be provided using new technologies
- 10 new houses will be constructed in the town based communities as soon as agreement for housing management is reached.
- 12 new houses for Government workers are under construction and 5 are being designed
- An audit of housing within Halls Creek will be undertaken to reveal the real housing demand within the Shire including Tjurabalan. The audit will not only ascertain the condition of the houses, but also the number of occupants.